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A REVIEW OF THE IMPLICATIONS FOR AGRICULTURAL TRADE ARISING OUT OF THE GATT MINISTERIAL MEETINGS AT PUNTA DEL ESTE, URUGUAY

HEARING

BEFORE THE

SUBCOMMITTEE ON
FOREIGN AGRICULTURAL POLICY

OF THE

COMMITTEE ON AGRICULTURE,
NUTRITION, AND FORESTRY
UNITED STATES SENATE

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CONTENTS

	Page
Boschwitz, Hon. Rudy, a U.S. Senator from Minnesota, opening statement	1
Frenzel, Hon. Bill, Representative in Congress from the Third District of Minnesota	2
Amstutz, Hon. Daniel G., Under Secretary for International Affairs and Commodity Programs, U.S. Department of Agriculture	4

APPENDIX

McConnell, Hon. Mitch, a U.S. Senator from Kentucky, statement	21
Zorinsky, Hon. Edward, a U.S. Senator from Nebraska, statement	21
Dixon, Hon. Alan J., a U.S. Senator from Illinois, statement	22
Frenzel, Hon. Bill, a Representative in Congress from the Third District of Minnesota, statement	22
Amstutz, Daniel G., Under Secretary for International Affairs and Commodity Programs, U.S. Department of Agriculture, statement	23

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U.S. SENATE,
SUBCOMMITTEE ON FOREIGN AGRICULTURAL POLICY OF THE
COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY,
Washington, DC.

The subcommittee met, pursuant to notice, at 9:09 a.m., in room 332, Russell Senate Office Building, Hon. Rudy Boschwitz (chairman of the subcommittee) presiding.

Present: Senators Boschwitz, McConnell, Heflin, and Zorinsky.

STATEMENT OF HON. RUDY BOSCHWITZ, A U.S. SENATOR FROM MINNESOTA

Senator BOSCHWITZ. We will get started with our hearing, which will be a review of the GATT ministerial meeting that was held in Punta del Este, and this portion of the hearing will deal specifically with the agricultural aspects of it, though I certainly invite Representative Frenzel to be a little broader, if you wish, because your interests are perhaps not as focused as much as members of the committee are.

The reason for our great interest in agricultural trade is, of course, that it has been, as Ambassador Yeutter has pointed out, chaotic in recent years. There have been all kinds of import barriers, there have been all types of tariffs, there have been other restraints of trade—and the result has been that it has been chaotic, as Ambassador Yeutter has pointed out.

Most recently, it has had very large surpluses, and, of course, that has exacerbated the problem.

Unfortunately, since we in this country have the storage capacity, we find ourselves holding the surpluses. What the situation has shown is that the existing GATT rules don't work particularly well, that too many impediments can be raised against trade and not called tariffs or the more conventional type of barriers, and the result is that the chaotic nature of it is exacerbated.

Another point is that we don't seem to be conducting agriculture worldwide on the basis of comparative advantage, where one country produces something because they can do it better than other countries. And that perhaps is something that we should seek to return to agriculture.

This new GATT round, in my judgment, provides an opportunity to improve that whole trading system. The question is, of course, has any start been made—and that's all we can hope for in this first round: Has a start been made to improve the agricultural trading system.

So I address that question first to Congressman Bill Frenzel from the Third District of Minnesota. I believe you were the only Member of Congress who was down there. I understand that you now have a better ability to spell the country name. I caution you not to pronounce "MonteviDEo," as we do in Minnesota, as "MonteVIdeo"—it may be misconstrued in other parts.

But, in any event, let us turn first to you.

STATEMENT OF HON. BILL FRENZEL, REPRESENTATIVE IN CONGRESS FROM THE THIRD DISTRICT OF MINNESOTA

Mr. FRENZEL. Thank you, Mr. Chairman. I have provided copies of my statement and request that it be made a part of the record.[1]

As the chairman knows, when the GATT was formed as one of the Bretton Woods family of organizations, after World War II, agriculture was specifically and purposely not included in the rules of the GATT, for lots of good reasons that were important at the time.

Senator BOSCHWITZ. A lot of those reasons were ours, as I recall.

Mr. FRENZEL. The United States was supportive of that. But also there were a lot of countries around the world that had starved. They wanted to be sure that they could secure their own food supplies. They wanted a free hand in determining how they establish and enhance their own systems. It was a general agreement at the time that agriculture should not be included. We were a promoter, but we were by no means the only one.

Over the years, however, we have noticed the increasing difficulties in the agriculture scene, especially the surplus conditions that you have indicated. One of the important factors is that we and other countries have helped many of the food deficit parts of the world bring their our systems on line. I guess the example of Asia is important where nearly all the countries now are able to provide their own food. That has, of course, served to limit world markets for producing exporting nations such as ourselves.

By the time we got into the 1970's we began to be threatened by the European Community's Common Agricultural Policies, because it was providing subsidies. And even then they were using export subsidies to get rid of the surpluses which were the inevitable result of production subsidies. In 1982, the United States made a real effort at a GATT ministerial in Geneva to bring agriculture under the full scrutiny and under the rules of the GATT. We were, at the time, stonewalled by the EC which believed, because of its low growth pattern, it could not give up the CAP. That ministerial ended in no success and was an enormous disappointment to the United States, and to our farm community.

Senator BOSCHWITZ. Which year was that, Bill?

Mr. FRENZEL. 1982. This year, the Punta del Este Conference began with a good deal more preparation and a good deal better

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[1] See p. 22 for the prepared statement of Mr. Frenzel.

consensus among the 92 contracting parties of GATT that agriculture had to be a part of it. The proposal that the United States was supporting was not the most aggressive proposal as far as agriculture is concerned. There was a competitive one created by other food producing and exporting countries—Canadians, Australians, and others—who wanted an even stronger agenda for the coming GATT round. But the United States, I think, emerged very successfully from the Punte del Este meeting due to a lot more cooperative attitude in the world and due to some skillful work by our negotiators, Secretary Lyng, Under Secretary Amstutz, Secretary Baldrige, and Ambassador Yeutter.

The overall U.S. objectives were mainly achieved, and perhaps the best part of that achievement was that very few of the contracting parties, even those that took different points of view, particularly on agriculture, such as the EC, went home mad. It was not a case of steamrolling people. It was a case of developing a consensus. So the EC would like to have had softer language on agriculture. The United States was insistent; so were a number of other countries, and we have made through the addition of agriculture on the agenda, a tiny step forward. The actual negotiations remain to be done. If you look at the last two rounds, the Tokyo round and the Kennedy round, you are looking at a time span of 5 to 10 years if we followed normal procedures.

In Punta del Este, the contracting parties said we ought to complete all negotiations in 4 years. Based on the protectionist instincts that are rampant in the United States now, I hope that we will be able to spin out some agreements before 4 years. The Congress hopefully will then feel that we are moving forward in our negotiations and avoid the need to indulge in quite as heavy a protectionist agenda for the future.

I must tell you, Mr. Chairman, that I was absolutely delighted. I had to leave before the negotiations were complete—before the agenda had been set—and I was a little worried, not so much about agriculture, but mostly about investment which was another important point in the U.S. agenda. When I heard on Saturday noon following the conference that all of our priority items had been included in the agenda, I was just tickled pink. Then subsequently hearing from the key players that they were put in by consensus, not by knocking anyone over, made it even better. I think we are off to a good start.

The only thing that bothers me is the time frame that is required. I am nervous as to whether we can reach agreements in time to fight protectionism in all the various countries. I think agriculture is going to take a particularly long time to reconcile in this negotiating round.

Senator BOSCHWITZ. Well, Congressman, do you have time to stay so that I can address the questions to both of you?

Mr. FRENZEL. Sure.

Senator BOSCHWITZ. Perhaps now we will hear from the Undersecretary of Agriculture Dan Amstutz, who is part of the team that developed the consensus that you spoke about. He certainly would not steamroller anybody unless he could. It is rather difficult to do that to the Europeans and others. But I wonder if you would comment about whether or not you regard it as a tiny step as Bill

noted and how much of the step have we taken. I mean, what kind of promise in your opinion. I could also get back to Bill and ask him the same. How much promise is held by the Punta del Este meeting and how does this original meeting compare and, perhaps, Bill, if you want to comment on this before Secretary Amstutz gets started. How does this initial meeting compare to initial meetings of the Kennedy round or of the other rounds of negotiations whether there was some level of success?

Mr. FRENZEL. That is an easy answer for me. I don't have any data. I was not around at those times.

Senator BOSCHWITZ. In that case, we will turn to Secretary Amstutz with whom I have talked and who I know was a player down there. Bill, it is very nice that you came over here. Wait and we will develop some of these sentences.

Mr. AMSTUTZ. Thank you, Mr. Chairman.

First, if I might ask that my statement be included in the record.[1]

Senator BOSCHWITZ. Yes; we will include your entire statement in the record.

STATEMENT OF HON. DANIEL G. AMSTUTZ, UNDER SECRETARY FOR INTERNATIONAL AFFAIRS AND COMMODITY PROGRAMS, U.S. DEPARTMENT OF AGRICULTURE

Mr. AMSTUTZ. We think that the step taken at Punta del Este was a significant one. We think it is significant because we went seeking to begin a multilateral trade round that would permit a comprehensive negotiation on agriculture and we obtained that. We also, I might add because it does have bearing on agriculture, went seeking the same in the areas of services, investments, and intellectual property rights.

It truly is just the beginning of the negotiation and, in that regard, is only the first step. At least the agenda is clear and open so that all matters that relate to the comprehensive covering of the subjects can be included and we thought that was enormously important. As the Congressman has stated, there were others in attendance at Punta del Este that would have preferred the declaration create a narrower mandate for negotiation.

Here, Mr. Chairman, let me add that this truly was a United States effort in Punta del Este. We had members of the administration. We had a valuable assistance from private sector representatives in attendance, and while most of us would have desired a larger congressional delegation, let me say that Congressman Frenzel had the effect of a 10-man delegation and he did yeoman work for his State and his country in creating this beginning for this most important trade round.

Senator BOSCHWITZ. I might comment that some of us looked upon it as he was the only guy crazy enough to make the trip for a few days. It was a 12 hour ride or something like that.

Mr. AMSTUTZ. To respond directly to your question as it relates to how we stand now versus other trade rounds. Following agreement to begin negotiation at the Tokyo round, it took some 2 years

[1] See p. 23 for the prepared statement of Mr. Amstutz.

to organize the negotiations. From the standpoint of agriculture that work has already been done. There is consensus as to the chairmanship of the Agricultural Negotiating Committee, which will work under the umbrella of the so-called Trade Negotiation Committee. There will be meeting of the Trade Negotiation Committee on October 27 in Geneva.

Senator BOSCHWITZ. Who is that chairman?

Mr. AMSTUTZ. The chairman of the overall Trade Negotiation Committee or the Agriculture Committee?

Senator BOSCHWITZ. Both.

Mr. AMSTUTZ. The overall Trade Negotiation Committee, the chairman really will be Dunkel, the executive director of the GATT. Of the Agricultural Negotiation Committee, the chairman will be one Art De Zeeuw, who is Dutch. His current occupation is general director, which is the highest career person, in the Dutch Ministry of Agriculture. Art has served as chairman of the GATT Committee on Trade in Agriculture these past several years. He is fair, objective, knowledgeable, and certainly was our candidate for this job.

In Punta del Este in the wee hours of the——

Senator BOSCHWITZ. The Europeans liked him too?

Mr. AMSTUTZ. Not at first, but they finally decided that he would be acceptable and I was about say that in the wee hours of the morning after we reached agreement on the declarations, we reached agreement finally from all of the Europeans that he would be acceptable. At that time, we had consensus on him.

It is our hope at the October 27 meeting of the overall Trade Negotiation Committee, that other committee chairs can be filled for services and the various other subnegotiating committees that will meet.

Senator BOSCHWITZ. You mean that the Agriculture Committee was the only chairmanship that was——

Mr. AMSTUTZ. As of right now, yes. So we are ahead of the other group. But the protocol of it is to announce all together. So that we hope that on October 27 the other pieces fall into place and that a meeting of the Agricultural Trade Negotiation Committee can be called this calendar year. There is a very good chance that will happen. Again, put that in the context of the Tokyo round where it took 2 years to decide how to organize the negotiations. That we think is significant.

We have no illusions about the difficulty of this negotiation once it commences. It will be enormously difficult.

Senator BOSCHWITZ. Mr. Secretary, I don't want to break your train of thought, but I know that the Senator from Alabama was on the committee that heard the impeachment proceedings of Judge Claiborne. I do not know if you want to go back down.

Senator MCCONNELL. So was the Senator from Kentucky.

Senator BOSCHWITZ. I don't know——

Senator HEFLIN. I do not have any questions.

Senator BOSCHWITZ. I do not know if you want to go back down to the floor.

Senator HEFLIN. I have to.

Senator BOSCHWITZ. And if you wanted to make an opening statement or make any type of a statement prior to going to the floor.

Senator HEFLIN. I have no opening statement and I am just listening.

Senator BOSCHWITZ. Fine. Do you?

Senator MCCONNELL. I do; I just want to commend Dan for the good work. I think some real progress was made and I am optimistic about the upcoming round. I would also like to include an opening statement in record.[1]

Senator BOSCHWITZ. Fine; would the staff get that opening statement?

I apologize for interrupting you and your train of thought, Mr. Secretary.

Senator HEFLIN. Aren't you going to the impeachment?

Senator BOSCHWITZ. I will go to the impeachment in due course, Senator.

Senator HEFLIN. Well, I hope you let justice prevail here at this hearing.

Senator BOSCHWITZ. I would hope that you would stay at this hearing as long as you possibly can. It was nice of you to stop here. I will review it for you, Judge, in due course.

Senator HEFLIN. I will do the same for you.

Senator BOSCHWITZ. Pardon me.

Mr. AMSTUTZ. Not at all.

Senator BOSCHWITZ. I didn't mean to shoo out the other Senators. I seem to have that affect.

Mr. AMSTUTZ. Well, as I was saying, we have no illusions about the difficulty of this negotiation. It will be a difficult one. But at least we are confident that we are getting it started in a very timely fashion.

We are going to press in agriculture for reaching agreement within 2 years. I listened carefully to Congressman Frenzel's comments on the timeframe and I am sensitive to that. I recognize we have great challenge to accomplish the task in agriculture in a 2-year timeframe. But we think it can be done. We think it is enormously important to do it quickly for the very reasons the Congressman mentioned. So we will press for reaching agreement within 2 years so that we can finally begin the implementation phase.

Now needless to say, in some of these areas to the extent we are successful in the negotiations, the implementation period once we reach agreement can be a considerable length of time. So I think there is promise to answer your question and we have evidence of it.

Senator BOSCHWITZ. You feel then that you have a 2-year edge over preceding negotiating rounds.

Mr. AMSTUTZ. Yes; certainly over the Tokyo and we have an edge in other areas too. If I can elaborate on some of the comments the Congressman made.

In the Tokyo round, agriculture was barely mentioned in the declaration. Here, for the Uruguay round, we have a whole section on agriculture. That is an edge.

Senator BOSCHWITZ. It was not separately mentioned.

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[1] See p. 21 for the prepared statement of Senator McConnell.

Mr. AMSTUTZ. Barely mentioned in Tokyo.

And the Congressman mentioned the GATT ministerial of 1982, which was a great disappointment for agriculture. The difference in attitude of the contracting parties gathered in ministerial meetings then in 1982 and now in 1986 in 4 years, is significant. We view that as a hopeful, optimistic sign. In no way am I contradicting, Mr. Chairman, what I have said before. We have no illusions about how difficult the negotiation will be. But at least we have agreement to begin it.

Mr. FRENZEL. If I may comment, Mr. Chairman, on the timeframe again. I think the first meetings of the Tokyo round I attended were either in 1976 or 1977 in Geneva. If you have been to Geneva, you will know that there is a very peaceful and serene attitude. The last thing anyone wants to do there is come to a conclusion.

Senator BOSCHWITZ. Too many good restaurants, I believe.

Mr. FRENZEL. Those discussions extend interminably. Trade Ministers and Agricultural Ministers' jobs are to defend their own countrys' interests, not to make an agreement. What is going to make the difference, in my judgment, as to how fast we come to a conclusion, is what kind of pressure comes from the top. It really takes summitry to make a deal.

In the 1978 summit, President Carter and his peers decided that they wanted to bring the negotiations to a conclusion. They told Bob Strauss and his counterparts to make a deal and clean it up. They did clean it up by 1979. We can do a lot of negotiating, but eventually we have to have some summitry to bring it all to a conclusion.

I am encouraged to hear the Secretary suggest that their targeted timetable is 2 years. I believe it can be done, too.

Senator BOSCHWITZ. There are a number of barriers in agriculture, Mr. Secretary. There are tariffs—just out and out tariffs. There are nontariff barriers as a second group. In addition, there are these health type of barriers. The imposition of reasonable or unreasonable barriers that we have discussed where they will say "We can't take anything from this plant." We had one out in western Minnesota. They said "You have to move a wall," or some other type of impediment. Then, of course, the enforcement provisions of the GATT are rather cumbersome.

I wonder whether you would comment on each of these four from the standpoint of does one present more of a problem than the other—the tariff and the nonbarriers, the health barriers, and the GATT procedures? Which one or the other targeted to be taken care of first?

Then as a follow-up question, what barriers exist in the United States that you see might have to come tumbling down?

Mr. AMSTUTZ. Well, we have reached the point in global agricultural trade where nontariff barriers are considerably more significant than tariff barriers. These range the full spectrum from quotas to rather arcane health regulations. The mandate of the declaration is indeed comprehensive in this area. So literally all of these barriers are on the table.

Beginning with the more arcane first, we seek in the animal and plant health regulation area a harmonization of regulations global-

ly covering these regulations. This is a very difficult subject to negotiate. Human health is involved and concerns for it. But we are heartened, I might add, that in our free trade agreement talks with the Canadians, we have already commenced discussions on harmonization of animal and plant health regulations with the Canadians. So we are hopeful that will provide some impetus for this in the GATT round.

In the area of other barriers, the full gamut of other barriers, the declaration clearly states that it should be the objective of the negotiation to diminish or remove these. And it is our negotiating intent to seek a standstill and a rollback. In other words, first agreement by the contracting parties not to erect any more barriers and then an agreement over time by a date certain, to remove these barriers.

Senator BOSCHWITZ. This in a phase-down, perhaps?

Mr. AMSTUTZ. Yes, we believe that once you agree to do something conceptually, then you have to attack it in more microdetail. Different products—different commodities—can require a different phase-out methodology, different phase-out timing. You cannot expect these things to be done overnight because they can be disruptive.

Quotas around the world are probably one of the most sensitive areas in this regard. They surely are a problem for us as we seek access for our products in markets overseas. And, Mr. Chairman, we have some quotas ourselves that will be involved in this negotiation process. But here, let me add, that what we seek is agreement globally. There is no way where we are going to make unilateral concessions ourselves. We seek agreement worldwide. So those who might be concerned about losing quota protection really have no fear because there will be no loss of that without, again, an offsetting gain.

Mr. FRENZEL. Mr. Chairman, as I look at the four items that you mention, there are some tariff problems, of course, but I believe that is the least of our worries. What inhibits trade is mostly the nontariff barriers. I see the health regulation area as one that can be negotiated not necessarily easily, but much less difficult than other NTB's.

The dispute settlement system is terribly important as we have found in the citrus case, the wheat flour case and some many others that have dragged on forever. On the other hand, the dispute settlement question is not a new one at GATT. There has been some work on it. It was my judgment that this may be one of the items that could be resolved before the 4-year timeframe also. I am optimistic about that.

I think the most important part of the Secretary's testimony was that part of the agreement at Punta del Este which related to standstill and rollback. That means that on standstill the contracting parties say they are not going to enact any new laws or publish any new regulations that are contrary to existing GATT rules. Rollback means that we will rollback those that are contrary that are already on our statute books. The United States removed its greatest irritant this year when the Senate was wise enough not to allow the manufacturing clause, which did protect elements of our

printing industry to be extended this year. That was a great step forward and a major irritant to our trading partners.

If agriculture becomes covered by the GATT, we are going to have to do a little rolling back also. We are also going to have to abide by the standstill provisions and not enact new law which would negatively affect our ability to negotiate. I think the United States has more to gain than any country in the world. But in doing so, it is going to have to put some items of its own on the table, as the Secretary mentioned.

Senator BOSCHWITZ. I turn to Senator Zorinsky to see if you have any questions.

Senator ZORINSKY. I ask that my statement be put in the record.[1]

Senator BOSCHWITZ. Without objection, of course.

Senator ZORINSKY. Good morning, Bill. Good morning, Dan and Senator Boschwitz.

Senator ZORINSKY. I would like to ask about the timeframe. I have read that it will take 2 years for creating an agenda for GATT and another 4 to 6 years in completing that agenda. Is that correct?

Mr. AMSTUTZ. Well, I think not.

Senator ZORINSKY. Will you still be here when this is all over?

Mr. AMSTUTZ. Well, that's a different question.

But at the time of the Tokyo round, it did take 2 years following the declaration to begin the negotiating process. For this round for agriculture, we have already reached consensus on the structure of the negotiating committee for agriculture. The only thing that is delaying the announcement of that and the commencement of the process, is structuring the other negotiating committees.

As I mentioned before you came in, Senator, we are hopeful at the October 27 meeting in Geneva that those other committees will be formed and that we will still have the first meeting of the Agriculture Negotiation group this calendar year. There is a very good chance that will happen.

Now, once we begin the negotiation—once the structuring is completed—then it is the challenge for the negotiators to move the process along. The Congressman opined before you came in that it could easily take 4 years and I stated that in agriculture it is our firm objective of completing the work in 2 years. We think it can be done. We have no illusions about the difficulty of getting it done that quickly. I agree with the Congressman that for us to realize our 2-year objectives, it does indeed take some pressure from the highest levels.

In agriculture we are heartened in that at the last summit, the agriculture trade subject was discussed by all the summit leaders and I am absolutely confident that they will address it again in June when they meet in Italy. As a matter of fact, today I leave for Paris for a meeting of the Executive Committee of the OECD. The principal reason I am going—an agricultural representative usually does not attend the Executive Committee meeting of the OECD—is to aid in this effort to stimulate the OECD ministers,

[1] See p. 21 for the prepared statement of Senator Zorinsky.

when they report this year or early in the spring, for the OECD ministerial to provide impetus to the summit on this subject.

In a sense, Senator, we have sort of a full court press on to keep moving this ahead. The declaration does not give us the protection of that. This is something we have to negotiate.

Senator ZORINSKY. Well, with your full court press, it appears to me that it behooves the other countries to keep you in as many overtimes as possible. Time is on their side and it is no secret that we don't know how many years it has taken just to arrive at a definition of what a subsidy is. I don't think there is still a firm definition of what constitutes a subsidy. I don't know how many years it will take before those agenda items you have discussed can be resolved. People will not recognize transportation as being a subsidy even though they have nationalized rail transportation in Canada. I could never understand why we do not buy sugar from Cuba and then we give Canada a sugar quota so they buy it from Cuba and ship it to us.

I do not think very much of GATT. I think we are in a trade war right now agriculturally and I did not see Australia or any of our so-called friends with tears in their eyes when we were losing our share of the market with this so-called GATT agreement protecting us and everybody else. I hear a lot of frustration back home when the farmer has 8 years to repay a loan and then his payment is called due in 30 days. They are forced to relate to immediacy in time, not far distant history, which reminds me, my definition of history is one damn thing after another.

There is just no continuity in GATT itself. I think it has lost credibility. I think that unless you do expedite to some degree and show some positive steps that are tangible in a banking sense and not in a rhetorical sense all faith will be lost in GATT. I think the farmers have had it with promises that we are attending this, and that we are going to meet, and that we are going to work these problems out. That is alright for the news media to write about, but that is not bankable in the economics of agriculture or internationally.

Is it against somebody's principles to just go out and shoot your best shot in a free enterprise system? If people need something we have should we sell it, and if they do not, then just do not produce it? Or is this something that everybody has to equally share in regardless of their ability, their capacity, or the depth of their pockets? That is the way I was brought up in business. On Pennsylvania Avenue, you have foreign diplomacy so locked in with agriculture and trade decisions in the international marketplace, that GATT will never be successful, because you will always be asking questions such as, "Well, what about your military bases?" or "Are you guys going to want to keep this or that?" As a result, you have pressure on USDA to not be as enthusiastic as maybe they once were.

Mr. AMSTUTZ. Senator, I understand everything you have said in the comments you made about suspicion of the GATT and dissatisfaction in the country. It is precisely why we are pressing hard for this fast track—that it has to be done quickly.

I agree with you that there are others with whom we are negotiating that will attempt to put us in every overtime they can ar-

range. That is indeed our challenge. I recognize that we do not have much time.

Precisely what we are trying to negotiate in this round is a world climate where comparative advantage rules; where business can be done along the lines you have stated. We agree with that. I hope it heartens you to know that the administration and I mean the administration—the entire administration—is totally committed to the objectives we set out to accomplish in Punta del Este. I said here, for example, at a hearing that the chairman held a month or so ago in response to a question by Senator Hawkins, who at that time was skeptical as to where agriculture would fall in the trade round, if there was a new round. I said in response, unequivocally, that if agriculture was not on the agenda in a comprehensive way, so far as the United States was concerned, there would be no new trade round. We would not allow it to progress without agriculture being a major part of it. And I said that, keenly aware that I could not make a statement like it, I did not know the administration was truly behind it.

We have no illusions about the difficulty of this. I do not want to appear sanguine about how easy all this is to bring about because you are right. The national security issues will be brought up and international relations issues. It is my personal view in this regard that one of the problems we as a nation made for ourselves over the last 40 years was we did allow international relationship questions and so-called national security questions to take precedence over economic questions.

So we created an environment where in my judgment some countries did not believe us when we said we want economic fairness. They did not believe us because we did not press hard enough for it. We would ask for it and then we would back off. But we are not backing off these now, Senator. I think there is evidence that our pressing hard is showing some proof.

Senator ZORINSKY. I know how you feel about our bonus export program—the administration has done everything they can to destroy it. What kind of signal do you think you send when you offer the Soviet Union grain at $20 a metric ton more than any of our competitors do? Is that an intelligent way of getting somebody to buy something or did we really think they are that stupid? Then the Soviets turn around and sign a contract with the Canadians to buy it cheaper than what we offered. Then we say why heavens no, we should not lower the price to the Soviet Union.

Again, we are connecting politics and foreign diplomacy, with agriculture and economics. I cannot overstress the independence that is required between economics in agriculture and foreign policy if we are going to be successful in GATT and increasing the export of our commodities. I was in business for 35 years and I was not successful by making sure my prices were the highest of any of my competitors. I do not know how anybody can stay in business or even how USDA can promise sales by doing it this way. Our competitors are not stupid. We must be.

Mr. AMSTUTZ. The Food Security Act of 1985, Senator, mandated that we spend a billion dollars in the Export Enhancement Program over 3 years. This fiscal year of that bill, we have spent over $400 million of that billion that was spread over 3 years. And you

will recall, Senator, that this first fiscal year was not a complete year because the bill was not passed or signed until several months into the current year. So I think there is evidence that we are using those funds.

Senator ZORINSKY. As it relates to the Soviet Union.

Mr. AMSTUTZ. The President in his decision to provide the subsidy to the Soviet Union had the intent of meeting competition, of providing the wheat at competitive prices and, Senator, to the very best of our knowledge that in a round figure $90 a ton price, that the subsidy we offered to provide, was indeed competitive with hard wheats. All I can tell you is during the process while that offer was open, we never received a comment from the Soviet Union that there was a price problem. I was surprised in that last week of the validity of the subsidy when that wheat was sold out of Europe to the Soviet Union—that is, soft wheat not hard wheat, so there is a quality difference—but nonetheless I was surprised with the price. I don't quite understand that. I have noted subsequent to that, that the Europeans have refused to sell more at that price, for whatever it is worth.

Senator ZORINSKY. What was the contract?

Mr. AMSTUTZ. I cannot even tell you for sure what the price was, but somewhere in the, I would guess, the $75 to $80 range for French soft wheat. I just do not know precisely.

The contract you talk of them signing with the Canadians is just a renewal of an agreement. It was not contract to sell. It was just a renewal of their long-term agreement with no price provisions. Just as with our agreement, there are quantity provisions.

Senator ZORINSKY. Can't we go in and under cut their price like they have under cut our price? Is there something that says we cannot be competitive? It is a dog eat dog world out there. My father always said don't send your customers to your competitors. You go get the business. We are looking at equalizing everything so we are looking at a level playing field. I am saying we are better than that. We ought to go out and capture all the business we can because that is the free enterprise system. Put your competitor out of business because that is what they are trying to do to us right now. We seem to be standing and saying, "Well, in 8 years maybe we can level this thing off."

I think we are in a tremendous war right now in the international marketplace. And either we are not aware of it or we are not willing to do anything about it. But let me tell you this—if we can transfer our subsidization from a farm program domestically into the international marketplace to increase exports, I think we would wake up the rest of the world to say, "Hey, now this isn't going to do anybody any good. Let's all stop what we are doing." Generally that is how I got competition to come to the table. I fail to see the wisdom in agreeing that we are going to first have 2 years to create an agenda and then we will sit down and have coffee and go to hotels and fly around the world and talk about it some more for another 6 years.

Mr. AMSTUTZ. Well, Senator, that is why I will say again at the Tokyo round it took 2 years to create an agenda and then another whatever—four or five or six—to negotiate. I am saying to you that we have the agenda created now. We have very good chance of

commencing those negotiations still this calendar year and we are committed to bringing this to a close on agriculture within 2 years and think we can do it.

Senator ZORINSKY. Do you have the capability to sit down right here in this city and in 30 days decide what our economic agricultural policy should be worldwide and begin to implement it unilaterally. Generally, when you do something unilaterally you can encourage all your competitors to move expediously on an agenda. But as long as you let the rest the world dictate the speed of that agenda, we are just going to get caught up in that whirlpool and go with the tide.

Mr. AMSTUTZ. I understand your suspicions. But I guess what I am saying is that there is evidence that our pressure and our policies are bringing them to the table much more quickly.

Senator ZORINSKY. Well, Dan, I just hope that you and Bill, Rudy and I are all here long enough to see this all come to fruition.

Mr. FRENZEL. Senator, can I respond to that. I do not disagree that we need to be competitive if that is one of the ways you get them to the table.

I would like to talk about the process and how we can move it along. I said earlier, before you came, that you best complete these negotiations only when the heads of state say get them done to all of their negotiators and say make a deal as Jimmy Carter said to Bob Strauss, "Wind this Tokyo round up. We've been talking long enough." And they did.

One way that we can help is to formally ask the President to take trade and agricultural advisors to the summit. Far more is done at summits than is done at trade meetings. When Bob Strauss found he was not on the list to go to the summit with President Carter, he called up the President and said, "Fine. I quit, Mr. President." Somehow he got on the list and he did not have to quit. President Reagan does not take Secretary Lyng. He does not take Ambassador Yeutter. He does not take Secretary Baldrige. He is surrounded with geopoliticians. As you suggested, the war is a commercial one and we ought to have our trade advisors there.

Chairman Gibbons and I from the Trade Subcommittee of the House have written to the White House and said: "We beg you to take a trade person with you." They write back and say: "We're only allowed 55 spear carriers at the summit and our spear carriers got to be other than trade people." I think if you in the Senate would join us, we would get some people there who knew what the problems are. That is No. 1.

No. 2 is that as Dan suggested, we are going to convene this first agricultural meeting on October 27. It is customary for the Finance Committee and the Ways and Means Committee to send observers to trade meetings in Geneva. Obviously, October 27 is an inconvenient date for those of us who are running for reelection or trying to help others. But customarily we send members of staff there to observe. Our Trade Subcommittee, I am sure, is going to have people there, and I would suggest that it would be a good thing if the Senate Agriculture Committee as well as the Senate Finance Committee had people there watching those meeting and contributing as well.

I think those are two things that Congress can do to try to get the thing moving much more quickly.

Senator ZORINSKY. You make a good point. Thank you, Mr. Chairman.

Senator BOSCHWITZ. Perhaps, Bill, if you would send that letter to Senator Zorinsky and also to me.

Mr. FRENZEL. I will send you a copy of the letter that Chairman Gibbons and I wrote to the President. I will also send you a copy of the response.

Senator BOSCHWITZ. Of the response. Yes, fine. And those meetings in Europe take place at the end of this month?

Mr. AMSTUTZ. The Trade Negotiating Committee.

Mr. FRENZEL. The TNC is in October, and the next summit is where, Rome?

Mr. AMSTUTZ. June in Italy.

Senator BOSCHWITZ. It seemed to me that Punta del Este was a very fine place to meet. People did not, unlike Geneva, was not full of a lot of good restaurants and people wanted to get done.

Mr. FRENZEL. No, that is untrue. Uruguay has an agrarian society. They have a beef theology like Argentina, and you will not eat better beef anywhere in the world.

Senator ZORINSKY. Wait a minute.

Mr. FRENZEL. I request permission to revise and extend my remarks other than in parts of Nebraska.

Senator ZORINSKY. Thank you.

Mr. FRENZEL. But the thing that made the meeting good was that it was winter in Punta del Este.

Senator BOSCHWITZ. Oh, I see.

Mr. FRENZEL. The rooms were not heated very well and everybody wanted to get the job done and get out.

Senator BOSCHWITZ. I heard that they were huddling together by stoves so that it sounded like a good place to meet and get driven to conclusion. I would invite the Department to let us know and I will talk to the Trade Negotiator as well, to let me know, let Senator Zorinsky know, let the Chairman know when you think it would be appropriate and when it would be helpful for us to be there.

Prior to your coming into the hearing, Senator Zorinsky, Undersecretary Amstutz very clearly made the point he thinks we are 2 years ahead of what happened in Tokyo. Not only was an agenda arranged on agriculture which took 2 years, but a chairman of the Negotiating Committee has been appointed. How many Negotiating Committees will there be?

Mr. AMSTUTZ. There is one umbrella negotiating committee–the TNC. Now, there can be ten or more.

Senator BOSCHWITZ. And the chairman of that has been appointed. Ten.

Mr. AMSTUTZ. My expert tells me maybe five. But as the Congressman says there can be as many as they want.

Senator BOSCHWITZ. Five to ten is a reasonable number?

Mr. AMSTUTZ. Yes.

Senator BOSCHWITZ. The Chairman of the Agriculture Negotiating Committee, is that the proper terminology, has already been chosen. So they apparently are a couple of years ahead and hope-

fully they will not be mired down as from our experience here in the committee you have every right to believe they will become in a period of time.

Senator ZORINSKY. It is a good thing they do not have to be confirmed by the full Senate.

Senator BOSCHWITZ. Well, then we would certainly speed up the process.

Mr. AMSTUTZ. Well, Mr. Chairman, if I can interrupt. That is one of the marvelous things. There were 74 contracting parties present in Uruguay. There literally had to be consensus and in the GATT that means unanimity on the designation of the chairman of the AG Committee. So after there was unanimity on the declaration, there was unanimity by 74 sovereign states on the chairmanship of this Agriculture Committee. They use the term consensus, but what consensus means is "no objection."

Senator BOSCHWITZ. Would you review for a moment another question that Senator Zorinsky bought up and that was the 3-month offer that was made to the Russians. There was some feeling that perhaps we were almost purposely not competitive; that we did not want that to fly; that we recognized in the very making of the offer that it would not be an acceptance. I recall a conversation that you and I had where you felt that would not be the case. I wonder if you would review what your reaction to the Russians not accepting that offer and whether or not the offer was made in the expectation that the Russians would buy it.

Mr. AMSTUTZ. Well there is no question, Mr. Chairman, that the offer was made with the expectation that they would buy it and that we had met competitive price levels via the subsidy. Let me add here that that attitude and policy was maintained throughout that very unfortunate Daniloff affair. That offer remained on the table. I think that is significant in separating the commercial from the political.

The GAO, incidentally, asked me several weeks ago why the Russians did not buy or had not bought yet at that time as this was still before September 30. I said, "Well, in the final analysis, I really don't know. It can be a range of reasons. It can be that the current politics within the Soviet Union has precluded it." And in this I refer to the reported reorganization of the Soviet Ministry of Foreign Trade and particularly the foreign trade organizations that do the buying.

Mr. FRENZEL. Mr. Chairman, may I be released? We have a vote in the House.

Senator BOSCHWITZ. Go ahead. We thank you very much for coming, Congressman Frenzel.

Mr. FRENZEL. Thank you very much, Senator. Excuse me.

Senator BOSCHWITZ. We appreciate the interest that you take in foreign trade and that interest is recognized not only on that side of the Hill, but on this side of the Hill and your expertise in the whole thing is very much appreciated.

Mr. AMSTUTZ. It can be just that there is no one in charge in this area right now in the Soviet Union. That can be one of the reasons. Another reason can be the recently announced Soviet terms for purchasing. Strictly coincidental to the subsidy offer to them, they have announced that they are only willing to buy on arrival analy-

sis. U.S. exporters are not willing to sell on that kind of a basis. That could have been the reason.

It could be that in the judgment of the Soviet Union that the price was too high. It could be that they just simply did not need the wheat at this particular time.

I think those cover the valid options that exist. I guess there is a fifth option. They could have made the decision not to buy on just general political grounds.

In my own judgment, it does not relate to price. It relates partly, I think, to this question of terms of purchase, this arrival analysis versus the customary shipping analysis and the fact that there is certain disruption, and that is the proper word, in the organization of things in the Soviet Union.

Senator BOSCHWITZ. Did the Soviets have a legitimate complaint when we gave subsidies to others on a selective basis prior to the subsidy being made available to them?

Mr. AMSTUTZ. Senator, you always ask these difficult questions.

Senator BOSCHWITZ. You answered that for me before.

Mr. AMSTUTZ. Unquestionably, in their judgment they did, that I understand. In the context of the criteria under which we have operated the Export Enhancement Program, the answer is no. In the context of the agreement as it is written, the answer is no. But we did feel when the decision was made to provide this subsidy sometime in August, I forget what date, that we had at that time addressed their complaints. And that having been done and in view of the fact that the agreement does exist, we really expected them to make the purchase.

Senator ZORINSKY. I just wanted to interject that generally anytime I ever lost a sale it was because I did not know what my competition really offered. When you say they do not like some of our American business people maybe we are not as competitive in meeting all the shipment requirements as they had become accustomed from previous shipments. That is a good point you make. But, again, the rebuttal to that is—if you can be competitive, you better outdo them before they outdo you. A lot of times that might mean some rebates, of God forbid, kickbacks. There are a lot deals lost on terms.

Mr. AMSTUTZ. I agree.

Senator ZORINSKY. A lot of sales are lost unbeknownst to the individual that loses the sale because of the terms. It behooves your competitor to make sure that you do not know about underlying terms, so that in ensuing sales, they can utilize the same mechanism.

Mr. AMSTUTZ. Well, good point and all I can say in that regard, Senator, is over the last 3 years we have had numerous meetings with our trade on this question of quality provided the Soviet Union and as a Government, we have tried to be helpful to them in making suggestions in ways in which they could work on this question with the Russians and we continue that.

Senator ZORINSKY. Was the Soviets' recent Canadian purchase made on the arrival analysis basis or do you know?

Mr. AMSTUTZ. I don't know. The agreement that they signed would not even cover that. The agreement would be very broad and would just cover quantities and years.

Senator ZORINSKY. Would the arrival analysis requirement reflect the Soviets' concern for the quality of our grain?

Mr. AMSTUTZ. It would reflect their concern in their hierarchy for the quality of grain from all origins. I am told that the million-ton French purchase they made was made on their terms incidentally. These are terms that they instituted not only for the United States, but for all supplying countries. Clearly, even though capitalism does not exist in the Soviet Union, there is a buyer-seller relationship throughout the Soviet Union and so the importing entity for grain called Export Khleb turns around and sells that grain. In effect, "sell" to another entity, the Ministry of Grain Products now. It used be called the Ministry of Procurement. Then that Ministry of Grain Products distributes it to flour mills throughout the Soviet Union.

Now clearly, somewhere in that distribution channel there were quality factors that could be translated into rubles that the end user felt they should be reimbursed for. The end user would go to the Ministry of Grain Products and make its complaint if it works like it does in this country, and I have no reason to believe it does not. Then that Ministry of Grain Products takes up the beef with Export Khleb, the importer. I think in this case it is the desire of the importer to transfer, so to speak, those problems to the shipper. I understand that process.

Senator ZORINSKY. Then, you are aware that anytime there is a huge surplus, it becomes a buyer's market.

Mr. AMSTUTZ. Right.

Senator ZORINSKY. Quite obviously it is a buyer's market right now worldwide in grain. Did we use mechanisms, for instance, in this grain deal with the Soviet Union that the provided subsidized grain as everybody called it, or did we use money we had already invested in grain? We spent $9 million a year to store it. That never comes out in the news media, but it looked like we were adding money to this grain offer to make it purposely cost less in order to sell it to the Soviet Union. That really was not the case. Do we have a mechanism once we make the offer to follow it up to see if somebody is underbidding, so that maybe we can reoffer it at even better terms to keep up with our competition? Or do we just throw the price out there and say, "Take it or leave it? We think this is a good deal?"

Is there any follow-up businesslike pursuit of international business or do we merely offer a cold, hard deal, and say here it is?

Mr. AMSTUTZ. Oh, no; we went through a thorough review process of this every week.

Senator ZORINSKY. Didn't anybody ask whether they are preparing to buy some grain from Canada, and at what price and whether we beat that price?

Mr. AMSTUTZ. Gathering intelligence on this is like doing a jigsaw puzzle. You take pieces from here, there, and so forth and during the course of every week, prior to making that weekly decision on Friday, we would gather those pieces. It continued to be our judgment that that last level of $15 was allowing us to be competitive.

As I say, there was that one surprise at the end that I still cannot understand.

Senator ZORINSKY. I used to do this. I used to have weekly meetings of my sales staff and if we kept losing business, then I got a new sales staff. I got rid of them.

Mr. AMSTUTZ. There was a paucity of business throughout this whole period to the Soviet Union. That is why I mentioned that organizational restructuring. The only hard business I am aware that they bought in that period was that million tons from France. The agreement in Canada is not business. It is an agreement like ours.

Senator BOSCHWITZ. It is an agreement that was in effect at the same time ours was in effect.

Mr. AMSTUTZ. It is a renewal.

Senator BOSCHWITZ. It is a renewal of an agreement that was in effect while ours was in effect. Do you believe that the Soviets have violated the agreement with us, or have they bought enough other items to have been technically in compliance with it.

Mr. AMSTUTZ. No, they are not technically in compliance. There is no question about that.

Senator BOSCHWITZ. That they have violated it?

Mr. AMSTUTZ. Yes, it is an agreement of honor. It is not a contract with penalties. So it is an agreement as opposed to a contract and so we have no redress.

Senator ZORINSKY. They do it without taking chapter 11.

Senator BOSCHWITZ. Mr. Secretary, let me ask another question. I do not mean to interrupt you, Senator Zorinsky.

To have a successful negotiation, both sides have to feel that they have gained something. What did the EC ministers go back and talk to their legislators about in the event that there was such a hearing as this one? What does the European minister say to his legislators that he walked away from Punta del Este with?

Mr. AMSTUTZ. I would guess that they say in the area of agriculture one thing in particular. That is, that the declaration does not just mention export subsidies. But the declaration mentions direct and indirect subsidies that directly or indirectly affect trade. So by it not just saying export subsidies, they would say it, therefore, does not just focus in on them. It broadens the subject.

Senator BOSCHWITZ. Therefore, they get it on production subsidies?

Mr. AMSTUTZ. Deficiency payments.

Senator BOSCHWITZ. Deficiency payments.

Mr. AMSTUTZ. I guess that would be the principal point they would make. Another principal point they would make and the Congressman alluded to this early in his statement that the declaration itself does not spell out a fast track for completion. We understand that it does not. That is why I say it is our challenge to do that.

Certainly there was concern for them to get locked into that on their side.

Senator BOSCHWITZ. One of the interesting things that Congressman Frenzel pointed out was that at Bretton Woods when much of this was begun even before the end of Second World War and then shortly after, there had been starvation in the world and so the attitude of many countries including the United States which was then in a position of preeminence agriculturally, was that agriculture should not be disturbed. Obviously, that feeling has changed

and changed enough for them to really negotiate because particularly Europeans, of course, must have that sense and these negotiators are of an age that they have a keen memory of that time. But yet you feel that they had a sense that these negotiations should go forward?

Mr. AMSTUTZ. Yes; they agreed for the negotiations to go forward. There is no question about that.

Senator BOSCHWITZ. And conclude?

Mr. AMSTUTZ. Certainly, and conclude. But part of the challenge for us is to press for this speedy process.

Senator ZORINSKY. I am sure they agreed to all of that as long as they do not lose any business.

Senator BOSCHWITZ. As long as they what?

Senator ZORINSKY. As long as they do not lose any of their business by doing it. That is the challenge.

Senator BOSCHWITZ. On the hand, that is quite a price to pay. If they sold soft wheat at $75 or $80 dollars a ton let's say, what do they have in that. They have $200 a ton in it or upwards of $200 a ton.

Mr. AMSTUTZ. It is costly for them, and I all I point out is that I am told that they were asked to sell more at that price and they refused. I do not quite know why they did it. I have a feeling they are sorry they did.

Senator BOSCHWITZ. That sale cost the Europeans over $100 million?

Mr. AMSTUTZ. That is probably right.

Senator BOSCHWITZ. The EC?

Mr. AMSTUTZ. It cost the European consumer.

Senator BOSCHWITZ. Sure.

Mr. AMSTUTZ. The European taxpayer.

Senator BOSCHWITZ. It cost the European consumer another $100 million because they have to pay the local price.

Mr. AMSTUTZ. That's right. They have to pay much higher prices for their bread than the American consumer.

Senator BOSCHWITZ. So they paid not only the subsidy, but they paid the internal subsidy as well?

Mr. AMSTUTZ. Yes.

Senator BOSCHWITZ. Well, I thank you, unless Senator Zorinsky has further questions.

Senator ZORINSKY. I think there is a judge over at the Senate Chambers.

Senator BOSCHWITZ. Yes; we have to go over and talk with the judge a little bit and listen to what he has to say, but I thank you for coming and it was a fruitful hearing.

[Whereupon, at 10:27 a.m., the subcommittee adjourned, subject to call of the Chair.]

APPENDIX

STATEMENT OF HON. MITCH MCCONNELL, A U.S. SENATOR FROM KENTUCKY

Mr. Chairman: I want to thank you for holding these hearings on international agricultural policy. As I reread some of the testimony given by witnesses in this series of hearings, I've become more convinced than ever that long-term U.S. agricultural prosperity depends in large part on international factors over which we have little control. It's encouraging to know that recent negotiations in Uruguay hold some promise in the area of international agricultural problems and solutions.

Senator Boschwitz, as is the case in Minnesota, there is a determined minority of feed grain producers who feel mandatory production control programs are the only answer to our domestic agricultural problems. I sympathize with those who feel this way, and certainly a number of knowledgeable people in positions of leadership—the Commissioner of Agriculture in your state of Minnesota for one and Senator Harkin on this Committee—advocate this approach. I believe that such a policy direction would be the death knell for American agriculture.

It appears to this Senator that a long-term world-wide approach to acreage reduction is the only responsible answer to the recurring problem of overproduction. To that extent, the notion that agricultural producing countries have finally agreed to negotiate on difficult issues like acreage reduction is encouraging. It would do little good for United States farmers to embark on a major acreage reduction without some kind of reciprocity from our competitors. I welcomed the encouraging news delivered last week by Dick Lyng and Dan Amstutz. Perhaps even more encouraging was the news that the European Community is given consideration to mandatory acreage cutbacks of their own. I say to my friend from Minnesota that it appears our message at the GATT negotiations was clearly delivered and clearly received.

As you indicated in a letter to your colleagues which urged us to "stay the course" on farm policy, Mr. Chairman, this negotiating process will be lengthy and arduous. Our friends in the European Community are committed to doing whatever is necessary to maintain a competitive edge in the world of agricultural trade. Earnest negotiations will be successful only if we continue to show our resolve to maintain our own competitiveness. Secretary Lyng, in a recent interview session with national ag reporters, indicated that he has already informed the President that future domestic programs in the short term will continue to be very expensive. I take this as a clear signal that the Administration intends to provide income protection for farm families, but does not intend to sacrifice our leverage at the negotiating table.

The negotiating session in Uruguay was only a beginning. However, I believe it is significant to note that agriculture has never been on the GATT agenda, since the GATT treaty was first negotiated in 1947. I congratulate our negotiating team and am generally encouraged by the more agressive attitude this Administration is showing in all international trade matters. We don't really need a new trade bill, Rudy. We just need to use the tools we have more effectively.

STATEMENT OF HON. EDWARD ZORINSKY, A U.S. SENATOR FROM NEBRASKA

Mr. Chairman, I am pleased that the Subcommittee on Foreign Agricultural Policy is reviewing the results of the ministerial meetings to plan the 8th round of multilateral trade negotiations under the General Agreement on Tariffs and Trade. It is important for the committee to create a public record of the progress made at Punta Del Este.

First, I would like to commend the U.S. negotiators for their successful efforts to include agricultural trade issues on the agenda for the upcoming round of negotiations. The task of reaching a consensus on the areas of discussion was a difficult

one. I believe that the success was accomplished by the perseverance and strong stance of the U.S. team.

The contracting parties are committed to addressing agricultural trade issues during this GATT round. I consider that commitment to be a significant first step toward achieving trade parity. We now must make a firm commitment to resolving agricultural trade issues by leveling the playing field for all exporters. Agricultural trade negotiations should be given top priority. Though it may not ease the burdens of our farmers immediately, fair competition in world markets will allow efficient U.S. farmers to increase export sales over time. That is a worthy goal.

Mr. Chairman, I look forward to reviewing the testimony of today's witnesses.

STATEMENT OF HON. ALAN J. DIXON, A U.S. SENATOR FROM ILLINOIS

I would like to commend our Chairman for calling this hearing of the Senate Subcommittee on Foreign Agricultural Policy to discuss the implications on U.S. agricultural exports of the recent GATT (General Agreement on Tariffs and Trade) negotiations in Punta Del Este, Uruguay.

As ranking member of this subcommittee, I have long been concerned about the decline in U.S. agricultural exports, especially in light of our serious trade problems.

Many of these difficulties have directly threatened the economic health of my home State of Illinois. The imposition of trade barriers against corn gluten feed and other agricultural products exported to the European Community is among some of the problems we must work to correct in our GATT talks.

The United States faced an agricultural trade deficit last May and June for the first time in 27 years. I feel it is imperative that we do all we can to insure that agricultural trade stays a high priority in the GATT talks.

Thank you, Mr. Chairman.

STATEMENT OF HON. BILL FRENZEL, A REPRESENTATIVE IN CONGRESS FROM THE THIRD DISTRICT OF MINNESOTA

Mr. Chairman, I believe the most positive outcome of the Uruguay Ministerial was the inclusion of agriculture trade as a major part of the agenda at the Uruguay Round, which will formally begin in the next few weeks.

As the only Member of Congress who attended the Ministerial's opening sessions, I was initially pessimistic that agriculture would be included, at least all of agriculture. The only thing that was clear at that point was that the next Round would not move forward without some mention of agriculture on the agenda. Secretary Lyng and Ambassador Yeutter were forceful advocates of the U.S. position to include agriculture. They threatened early on the withdraw from the negotiations if agriculture was not on the agenda.

The need for some international discipline on agriculture trade has become more and more crucial in the past few years. As world overproduction has depressed markets for all of the major agricultural exporting nations, producers have run to their respective governments calling for increased protection. Our own farmers are no exception. We are nearly at the point where chaos rules the international agriculture scene.

Naturally, because security of food supply is important to all governments, and because agriculture is a big political issue for most nations, many countries have developed and now seek to preserve long-standing agriculture subsidy programs currently in effect. For example, the E.C., which we believe to be a prime subsidy offender, strongly opposed efforts to put all agriculture-related issues on the table. In effect, the E.C., led by France, wanted to bring agriculture under the GATT. But only with a Grandfather for its CAP.

Nevertheless, the Draft Ministerial Declaration did contain language that recognizes the need to bring agriculture under tighter GATT discipline, to bring more predict-ability to world agricultural trade, to correct and prevent distortions, to remove import barriers, plus language stating that an agreed time-frame should be sought for removal of agricultural *export* subsidies. The need for more favorable treatment for developing countries was also noted.

Whether this language will eventually result in an agreement that will phase out the E.C. Common Agriculture policy, or force a reduction in U.S. agriculture subsidies remains to be seen. However, the fact that we could agree to this draft declaration which will become the agenda for the negotiations is significant, and encouraging.

The standstill and rollback provisions of the Draft Ministerial Declaration should be discussed for a moment. As you know, as part of the Punta del Este agreement, we agreed to a standstill during the negotiations with respect to the passage of new protectionist measures. That is, we pledged not to pass legislation such as that contained in H.R. 4800. Our standstill pledge should also apply to many other pending pieces of legislation which would have a protectionist or trade distorting affect, including the Helms sugar amendment on the Drug Bill that has aroused the anger of many of our allies and trading partners.

The agreement also included language on rollback. Under that concept, we have pledged to phase out any of our laws or actions which are inconsistent with our GATT obligations. Ambassador Yeutter has indicated to us that we are in compliance with the rollback provision, having just permitted the Manufacturing Clause to expire. However, there are some agriculture-related programs which our trading partners consider to be GATT incompatable, such as the Export Enhancement program and language in the 1985 Farm bill relating to sugar and rice import restrictions. If we're lucky, our allies won't consider those rollback items, but we may have to face that possibility.

Mr. Chairman. I hope that our colleagues on both sides of the aisle will unite to provide the support necessary to encourage our negotiators to the Uruguay Round to maintain agriculture trade as the top priority for the U.S. To fail would, in my judgment, cause more barriers to be raised against American agriculture and bring us to the point of chaos in world agriculture trading.

STATEMENT OF DANIEL G. AMSTUTZ, UNDER SECRETARY FOR INTERNATIONAL AFFAIRS AND COMMODITY PROGRAMS, U.S. DEPARTMENT OF AGRICULTURE

Mr. Chairman, members of the committee, I appreciate the opportunity to discuss with you the new, Uruguay Round of multilateral trade negotiations under the General Agreement on Tariffs and Trade.

When we went to Punta del Este last month, the United States had three specific goals for agriculture in the new round. We went seeking a declaration that would permit us to negotiate commitments to apply no new import barriers and to phase out existing nontariff barriers; to freeze the present level of export subsidies and to phase them out over a set time period; and to harmonize food, plant and animal health regulations.

In addition, we wanted a declaration that would provide for improvements in general GATT dispute settlement procedures so that once trading nations have agreed on more effective rules, we can be assured they will be applied consistently and dependably.

The United States was extremely successful in getting the language we need to achieve these objectives included in the Ministerial Declaration on the Uruguay Round.

The declaration allows us to address all of the trade issues which are so vital to U.S. agriculture's success in the world market. It puts these issues on the agenda for the coming talks. The Uruguay Round offers the prospect of addressing in a fundamental way the significant distortions and problems in world agricultural trade that face all countries today.

Multilateral negotiations will soon get underway on the full range of trade problems facing the United States. They will be difficult, for there is much at stake and much work to be done. But we are committed to the task before us. These negotiations can produce multilateral agreement on new rules and disciplines that will open significant new opportunities for U.S. exporters and strengthen the global trading system so that all nations can compete on fair terms.

On particular importance to the United States was the clear consensus to begin negotiations on agriculture and other critical issues including services, intellectual property, investment and dispute settlement. U.S. farmers and agricultural exporters will benefit from all of these discussions—not only those specifically geared to agriculture per se.

In the past, trying to treat agriculture with a different set of rules from trade in industrial goods has produced nothing but turmoil, inequities, and massive distress for farmers in this country and around the world. It is time that we put an end to the chaos in trade in agriculture.

The terms of the Ministerial Declaration put all agricultural trade issues on the table. At the top of our list is agricultural subsidies, which are hurting our efficient farmers and ravaging budgets around the world. We will also pursue the full range

of market access restrictions affecting agricultural trade, including those based on artificial health standards.

We worked hard at Punta del Este to resist efforts by some countries to weaken and narrow the terms of the negotiating mandate. We will push forcefully to turn the Mininsterial mandate into substantive agreements that will commence to bring about the changes needed in agricultural trade as soon as possible. We hope to reach agreement on agriculture within two years.

The Uruguay Ministerial Declaration is really a landmark for agriculture. In the Tokyo Round—which has been the most ambitious round to date—the opening declaration barely mentioned agriculture. We now have an entire section devoted to agriculture. This emphasizes just how important the trade issues of agriculture have become in little over a decade.

U.S. agriculture also stands to benefit from upcoming negotiations on services, intellectual property protection, investment, safeguards, and improvements in GATT articles and codes. Of special importance will be the talks of dispute settlement. There have been some conspicuous failures of the existing dispute settlement process in recent years. The ministers agreed on the need to strengthen the rules and procedures covering dispute settlement, including improved arrangements for assuring compliance.

The ministerial declaration also calls for negotiations to expand market access by reducing both tariff and nontariff barriers to trade, and to liberalize trade in tropical products and natural resource-based products.

The primary focus on the negotiations will be to develop new rules and disciplines over government policies affecting trade. In regard to these barriers, the United States has no intention of paying again for concessions we made in previous rounds, and we do not intend to distort the overall balance of concessions we have with our trading partners.

The Trade Negotiating Committee of the GATT is scheduled to meet on October 27 in Geneva. We hope that the Agricultural Committee will be established at that time and we expect that it could hold its first meeting this fall.

In preparing for the Uruguay meeting, we worked closely with our private sector advisory committees to identify U.S. negotiating objectives and priorities for the new round.

Their assistance and advice has been extremely useful. Three representatives from the agricultural policy advisory committee were part of the U.S. delegation in Punta del Este. They were particularly effective in persuading foreign delegations of the keen interest of the U.S. agricultural community in seeing negotiations get underway in agriculture. We will continue to consult frequently with our private sector advisors throughout the negotiations.

The United States worked very hard to ensure a successful outcome to the Uruguay meeting. However, the decision to launch a new round is an achievement not only for the United States. It is a victory for the GATT system itself. The GATT has effectively served as a useful framework and mechanism for bringing about a reduction in trade barriers and a freer trading system which will benefit all countries.

Launching the Uruguay Round is a major step forward toward achieving our goal of trade liberalization, but it is only a first step. It will be several years before our efforts bear fruit. This is a long-term effort, not a quick fix. In the interim, the United States must continue to pursue policies that enhance trade opportunities, including the aggressive enforcement of U.S. laws that address unfair trading practices. As we pursue our goal of freer and fairer world trade, we plan to utilize all of the tools and programs at our disposal to help improve the U.S. farm export situation.

Thank you, Mr. Chairman, that concludes my testimony.

67-891 (32)